PX 356

EXHIBIT
CL-13

Message

From: Chris Larsen [redacted]@ripple.com]
on behalf of Chris Larsen <[redacted]@ripple.com> [[redacted]@ripple.com]
Sent: 10/8/2013 7:13:09 PM
To: [redacted]com>]
Subject: Re: [redacted]
Attachments: fintech3 chris's comments.docx

Hi Ken,
Thanks again for diving in here - its a complex topic! I made quite a few comments in the attachment, don't want to change any themes, but there were some key misunderstandings that are very core to how these things work, especially around the ledgers being decentralized and the systems being the opposite of anonymous. Let me know if you'd like a deeper dive on the phone or if you'd like me to look at another rev.
Thanks Ken!

CHRIS LARSEN | CEO
Ripple Labs Inc.
[redacted]ripple.com | www.ripple.com | www.ripplelabs.com

On Tue, Oct 8, 2013 at 12:32 PM, [redacted] wrote:
> Here ya go. Confirm receipt, pls.
>
> On 10/8/13 3:29 PM, "Chris Larsen" [redacted]@ripple.com> wrote:
>
> >No worries at all[redacted] - totally won't share it. Can you resend -
> >apparently didn't come through.
> >Thanks[redacted]
> >
> >
> >Chris
> >
> >Chris Larsen | CEO
> >Ripple Labs, Inc.
> >[redacted]@ripple.com | ripple.com
> >
> >> On Oct 8, 2013, at 12:13 PM, [redacted]com> wrote:
> >>
> >> I already sent it to you (11:50 am my time) but I'm not comfortable
> >> sharing it any further. In fact, I'm breaking a long taboo even letting
> >> you look at it, but I do so strictly in the interest of getting my
> >> thinking right, rather than allowing prior restraint. Not trying to be a
> >> dick -- this is one of my strongest beliefs in journalism and I just
> >>don't
> >> feel good about letting the publicist of a company I'm covering see what

EXHIBIT
CL-13
9/14/2021

>> plan to write before it's published.
>>
>> [redacted]
>>
>>> On 10/8/13 3:02 PM, "Chris Larsen" [redacted]@ripple.com> wrote:
>>>
>>> Hey [redacted]
>>> Can you send the piece to both Monica (cc'd) and I - we'll get it back
>>>by
>>> trnw morning.
>>> Thanks [redacted]
>>>
>>> Chris
>>>
>>> Chris Larsen | CEO
>>> Ripple Labs, Inc.
>> [redacted]@ripple.com | ripple.com
>>
>>

Fintech

Don't roll your eyes at me, goddammit. I know, I know - another article about Bitcoin. But I promise, this one's not going to be not going to fall in one of the two camps that the other 10 million articles about Bitcoin have occupied. I'm not a fan boy money hobbyist who theorizes on message boards about the identity of secret creator "Satoshi Nakamoto." And I'm not that close-minded throwback who believes that since money creation has largely been left to governments over the past hundred years that the same must always be true.

In short, I'm a believer. But not so much because I understand or care to understand the incredible complexity underlying the creation of math-based currency. But more because I have seen all kinds of things turn into money and have also seen things that are already money be deployed so irresponsibly that it allows for new money to take hold.

Let's talk a little bit about what what we're talking about. Bitcoin is a math-based "cryptocurrency' in which new coins are minted and transferred based on an open-source protocol that doesn't go through a central intermediary. The coins are processed by servers that "mine" new Bitcoins via a mathematical formula that limits the total number that can ever be created to 21 million. Over an already volatile 2013, the value of a single bitcoin has ranged from $13 to over 250 and they've attracted the attention of everyone from the Winklevoss twins[1] to a new fund composed only of bitcoin[2].

As revolutionary as I believe Bitcoin to be, there are several critical weaknesses. The mining process is difficult to understand and panic inducing for even the 10 minutes

---

[1] http://seekingalpha.com/article/1536832-does-the-world-need-a-bitcoin-etf

[2] http://dealbook.nytimes.com/2013/09/25/fund-to-let-investors-bet-on-price-of-bitcoins

during which people are waiting to get their funds. There's a new ~~company~~ open source math based currency (or open source protocol) that solves some of that.

Ripple is to Bitcoin as Red Hat is to Linux.(its really more that Ripple Labs is to Ripple as Red Hat is to Linux, so maybe more accurate to say, "Ripple was created using more of a Red Hat/Linux model". Just as Linux was created by unruly crowds who teamed up without even knowing one another to create the dominant operating system for servers worldwide, Red Hat was created to bring some order to the chaos. Linux purists hate Red Hat's corporatism and consider it a Microsoftish effort to attach parasitic profits to the purity of their programming.

That's okay by investors in Red Hat, who watched the company earn $146 million on sales of $1.13 billion last year.

It's somewhat the same dynamic for Bitcoin and Ripple. The genius of Bitcoin is there is no centralized depository. With Ripple there is a central (this isn't accurate, the ledger in the Ripple protocol is also decentralized just like Bitcoin, this is the only way to make sure the currency can't be debased) "ledger," so to speak – a way to know which account has how many Ripples. It's anonymous (actually both Bitcoin and Ripple are quite the opposite of being anonymous because the nature of these peer to peer systems it that all transactions must be broadcast to all other servers that run the protocol, it's the only way that everyone can be assured that a central authority isn't debasing the system. The key here for both Bitcoin and Ripple is really "confirmation of transactions without a central bank or central clearinghouse") and it's encrypted by David Schwartz, perhaps the greatest cryptographer the world has known since enigma (this is such a nice comment on David, but he's not known as the best crypto guy in the world, but he is a great and creative one).

As with Red Hat/Linux, there are naturally haters who cannot endure the existence of even an anonymous ledger (again not the ledger that is central nor anonymous, more they can't stand a company as the creator of the protocol) keeping track of who's got what. Then there are those who criticize Ripple's business plan. The idea is to create 100 billion ripples and get half of them into the hands of the public by selling them (importantly Ripple Labs will never sell to the public, we'll give away to the public) and by giving them away (over half will be given away, the company will use 25% to fund itself, the founders kept 20%).

Once the public starts trading them and using them to buy things they will presumably grow in value, leaving the issuing company (importantly, the company isn't the issuer, the founders were the issuers and gifted the company its share to make sure the company wasn't an issuer, just a user) sitting with 50 billion (the company will have 25% after the give aways) ripples. If that's devious, I don't know how it differs all that much from every company that's ever gone public maintaining the great bulk of it shares, many of which are later sold to the public via subsequent offerings after the share price has risen.

It's also analogous to what governments do.

The United States and every other government does all kinds of stuff to manipulate the value of its currency—changing interest rates or imposing tariffs, for example—and when that currency grows in value, they simply print more.

What's more, they're not transparent about it. At least these guys have made clear that there are 100 billion ripples; there can never be another one created, and they're holding onto half (25%) of them with the hope that they increase in value. When the US needed more cash to bail out AIG and other reckless financial actors, it simply printed more money and gave the frenzy catchy names like

"quantitative easing." If I'm going to be manipulated by a self-serving currency issuer, I at least like to know about it.

So let's talk about that promise never to "mint" another ripple. The second group of financial tech commentators tend to greet any enthusiasm about Bitcoin or ripple (we use 'Ripple' for the protocol, 'ripple' for the currency) with a sneer. Their skepticism comes down to this: "If someone created this currency, then they can always create more when it serves their interests." That's simply not true. And it's so obvious a defect that if it were true no one would ever invest in Bitcoin or any other math-based currency. The reasons it's not true have to do with incredibly complex formulae that I could not explain effectively in these pages even if I understood them completely. I do not. But people smarter than myself, including some of the smartest mathematicians in the history of the world, can explain it and have.

But it doesn't matter anyway. The idea that one would not invest in a currency if the maker of that currency could simply produce more of it is disproved on a daily basis. It doesn't take the Zimbabwe government printing 100 Billion dollar bills or wheelbarrows full of money in Nazi Germany or even "quantitative easing" to prove it. Ten years ago you needed to assemble $40 to fill your 20 gallon gas tank. Today you need $40 (more than $40?). People see that and they think, "Gas is becoming more expensive." No. Money is becoming less valuable. Because there's too much of it.

There are infinite examples of desire for alternate currencies, and the appetite is stronger for those whose supply cannot be increased. Pre-1965 dimes, for example, which are 99.9% silver, have become very valuable not just to coin collectors but as currency. Because it's impossible to make more, and because the number of total silver dimes in existence is known and understood. That's also the reason gold has been valuable for all of human recorded human

history. As an element, all the gold that's ever going to be on earth is on earth today and almost all of it has been discovered and counted and distributed. To the degree that gold fluctuates—and I got a lot of abuse for a column I wrote four years ago saying that gold would shoot up, even though I was right—it fluctuates not only because the amount of gold or its value is changing but because the amount of the currencies used to purchase gold and the perceptions about those currencies are also changing.

In the case of Ripple, it's not only a big advantage that it's a closed system with a finite number of units minted by the world's best cryptography. It also solves some elemental problems in the existing system of government issued money. Banks are thieves. Every three months I get a distribution of about $1400 from an investment I have in some apartments. They wire it directly to my bank account, and yet my bank charges me $15 for the privilege of accepting my money, which they then of course loan to other customers at higher interest rates than they pay me.

Then there's the time question. I am a user of Dwolla, the online payment system that you can use like cash in thousands of real-life stores, such as the bakery down the street from me and even the laundromat that I own. Funding my Dwolla account took seven days. It's absurd. The money was taken out of my bank account immediately but didn't get entered into my Dwolla account for seven full days. Someone had use of that float for a full week, earning interest and adding to their liquidity.

The entire corrupt system is ripe for disruption.

Chris Larsen, the CEO of ripple (Ripple Labs Inc) is someone I've written about often, not just because he is my friend, but because he's a visionary whose first company E-loan sought to democratize mortgage lending and second company, Prosper sought to do the same for peer-to-peer lending. The essential political problem with both of those

ideas—both of which essentially worked, by the way, though not necessarily in the form in which he envisioned them -- is that they were both seeking to dismantle gigantic industries with huge political momentum behind them and they didn't offer their own counterweight in the form of political actors who could stand up to these giants.

This time, ripple (Ripple) could have its own giant on its side. Whereas prosper was nearly harassed out of business by a do-nothing SEC that managed not to catch virtually any crooks who nearly brought down the financial system but spent years trying to prevent willing borrowers from meeting willing lenders, there was no lobby on the side of the regular people who needed small loans. That's why the payday loan business continues to extort people. Because they can. Because there is no lobby for poor people.

But this time in trying to disrupt some of the unbelievable fees the giant banks take there is an equally monolithic lobby on the side of the disruptor. MasterCard and Visa charge as much as 4% (closer to 3%, but possible to be more for small transactions) for their transactions. The bank (they get some but a small portion) that issued the card gets none of that. All they get for taking the risk that you don't pay your MasterCard bill is the chance to collect massive interest when people don't pay their bills in full and on time. These banks would love to keep collecting that interest without having to pay MasterCard and Visa. Financial Tech makes that possible if it gets accepted ubiquitously. In my opinion, the big credit card brands ought to feel about ripple the way the record labels felt about Napster.

And then it's game on. Right now, suspicion of financial tech has placed major speed bumps in its path to progress. The government smacked Mt. Gox, the largest bit coin exchange and seized some of its assets (to be fair, Mt. Gox seems to have not been completely forthcoming on the

questionnaire about whether it was a money transferrer). And just a couple weeks ago the operator of Silk Road, a sort of match.com for drugs and assassins, was arrested and shut down.

So it's still a rogue's gallery not too different from when the government first started issuing paper money and no one was sure what it was worth. It takes a while. But with the August announcement that Germany will start allowing taxes to paid in bitcoin[3], and a ruling by a Federal judge in Texas that Bitcoin (bitcoin, small 'b; for currency) is a legit currency, it's clear that imaginary money is becoming more real by the day. Meanwhile, I'm stocking up on ripple while it's still less than a penny apiece.

[3] http://rt.com/news/bitcoin-germany-recognize-currency-641/